# FAST FOCUSED FRIENDLY

Walgreens Annual Report 1995

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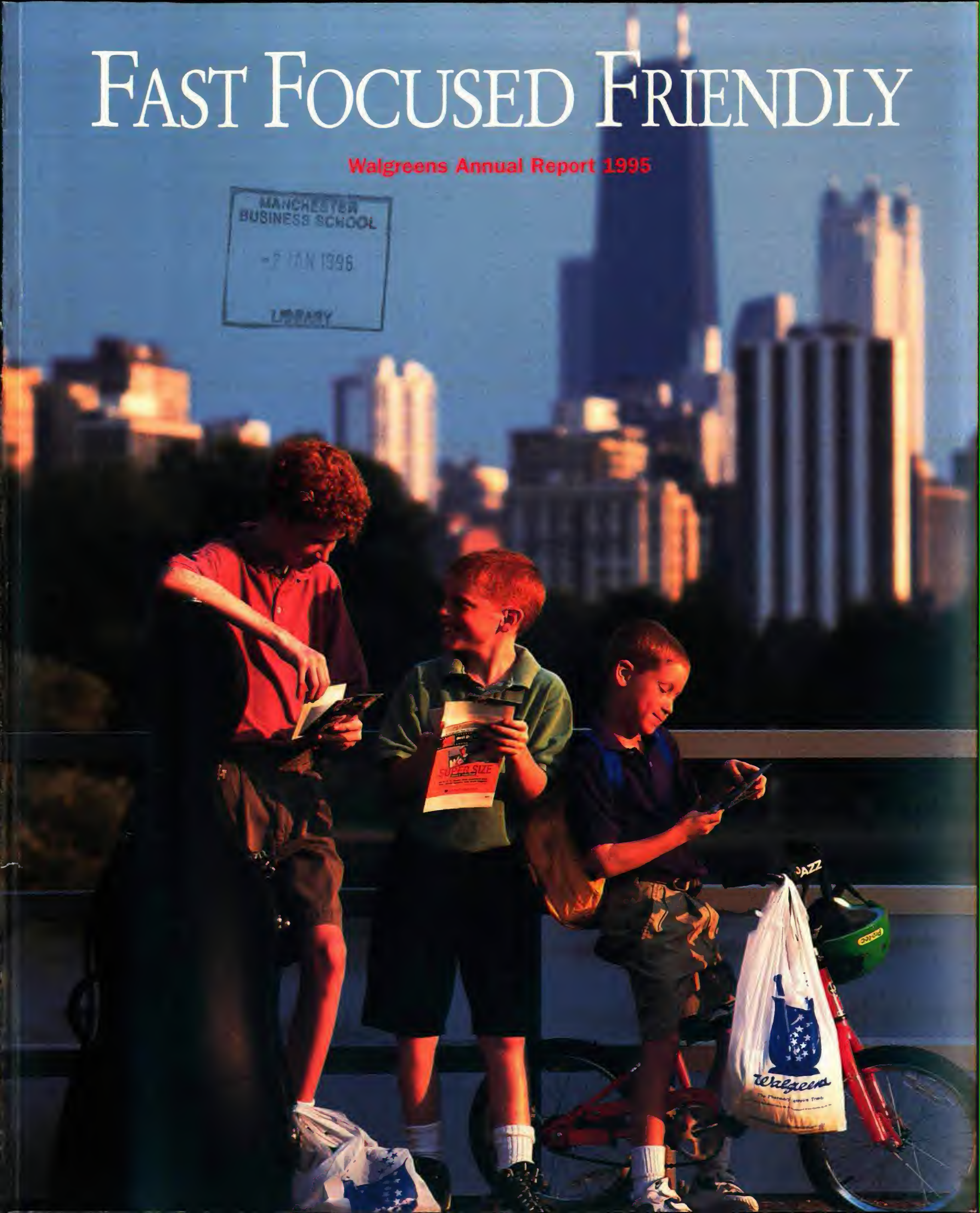
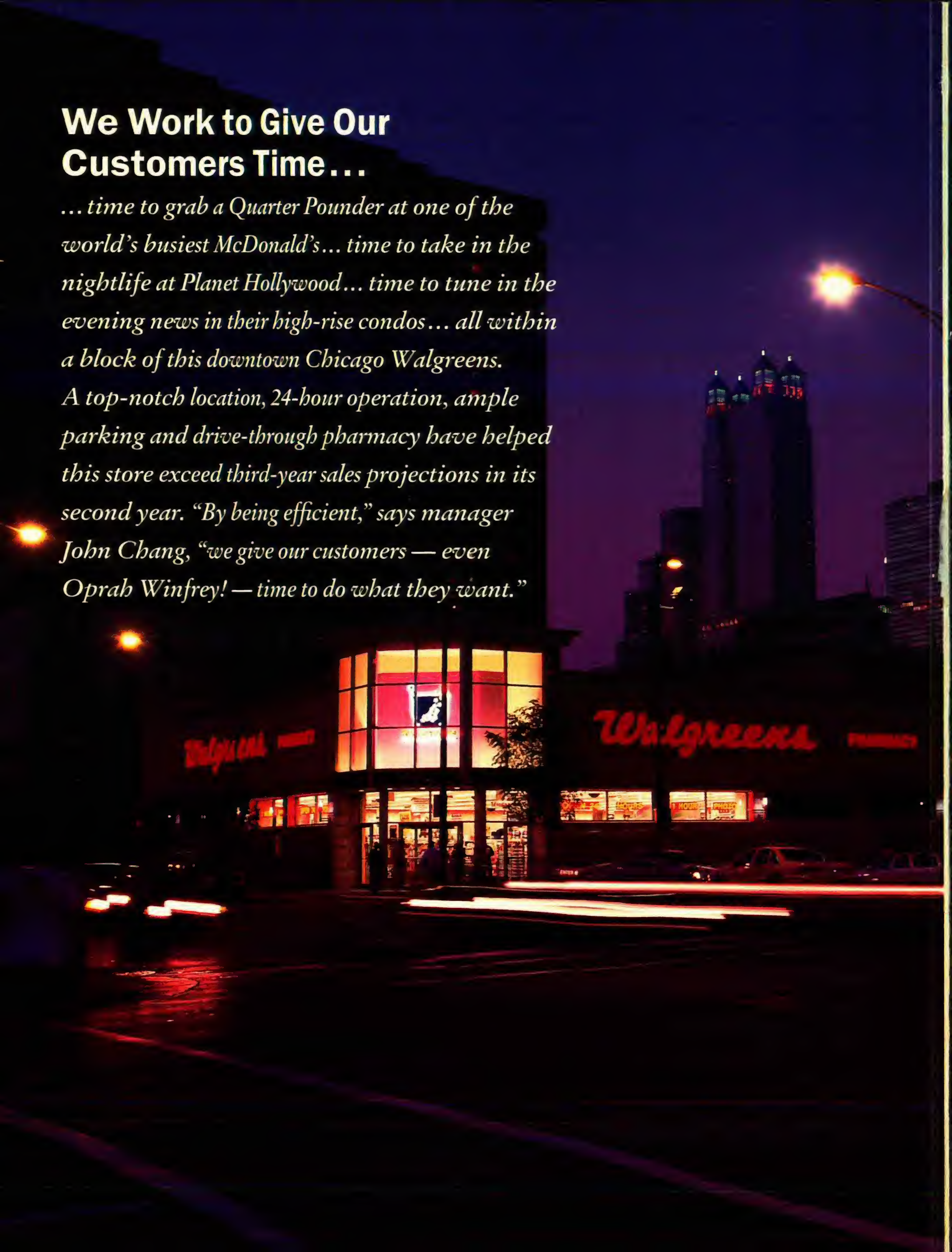


## We Work to Give Our Customers Time...

*...time to grab a Quarter Pounder at one of the world's busiest McDonald's... time to take in the nightlife at Planet Hollywood... time to tune in the evening news in their high-rise condos... all within a block of this downtown Chicago Walgreens. A top-notch location, 24-hour operation, ample parking and drive-through pharmacy have helped this store exceed third-year sales projections in its second year. "By being efficient," says manager John Chang, "we give our customers — even Oprah Winfrey! — time to do what they want."*

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# WALGREENS

Walgreen Co. is the leader of the U.S. chain drugstore industry in sales, profits, store growth and technology use, and fills more prescriptions than any other American retailer. The company's strategy is to be the nation's most convenient healthcare provider. Sales for 1995 reached $10.4 billion, produced by 2,085 drugstores in 31 states and Puerto Rico. Founded in 1901, Walgreens today has 68,000 employees and 32,000 shareholders of record. Its drugstores serve more than two million customers daily and average approximately $5 million in annual sales per unit. That's $493 per square foot, among the highest in the industry. Guided by a conservative fiscal policy, Walgreens is dedicated to aggressive growth. Dividends, paid in every quarter since 1933, have been raised in each of the past 16 years.

## About the Cover

The Feder brothers visit their neighborhood Walgreens several times a week, on the way to and from school, cello lessons or sports practice. Here, Daniel, 13, Nicholas, 10, and Abraham, 7, pause in Chicago's Lincoln Park for a sneak film preview of last weekend's activities.

## Financial Highlights

*Per share data have been adjusted for a two-for-one stock split distributed to shareholders August 8, 1995.*

| For the Years Ended August 31, 1995 and 1994 (Dollars in Thousands, except per share data) | 1995 | 1994 | Increase |
|---|---|---|---|
| Net Sales | $10,395,096 | $9,234,978 | 12.6% |
| Earnings Before Income Tax Provision | 523,741 | 458,421 | 14.2% |
| Income Tax Provision | 202,950 | 176,492 | |
| Net Earnings | $ 320,791 | $ 281,929 | 13.8% |
| Net Earnings per Common Share | $ 1.30 | $ 1.14 | 14.0% |
| Shareholders' Equity | $ 1,792,586 | $1,573,640 | 13.9% |
| Return on Average Shareholders' Equity | 19.1% | 19.1% | |
| Book Value per Common Share | $ 7.28 | $ 6.39 | 13.9% |

| Dividend and Market History, Fiscal 1995 and 1994 | Dividends Declared | | Common Stock Prices | | | |
|---|---|---|---|---|---|---|
| | 1995 | 1994 | 1995 | | 1994 | |
| 3 months through | | | High | Low | High | Low |
| November | 9¾¢ | 8½¢ | $ 21 3/16 | $ 18½ | $21 11/16 | $18 7/16 |
| February | 9¾ | 8½ | 24 | 20¼ | 21⅛ | 18⅞ |
| May | 9¾ | 8½ | 24 13/16 | 22 13/16 | 21⅜ | 19 15/16 |
| August | 9¾ | 8½ | 26 9/16 | 23⅝ | 20 5/16 | 17 1/16 |
| Fiscal Year | 39¢ | 34¢ | $26 9/16 | $ 18½ | $21 11/16 | $17 1/16 |

## Walgreens 1995 Highlights

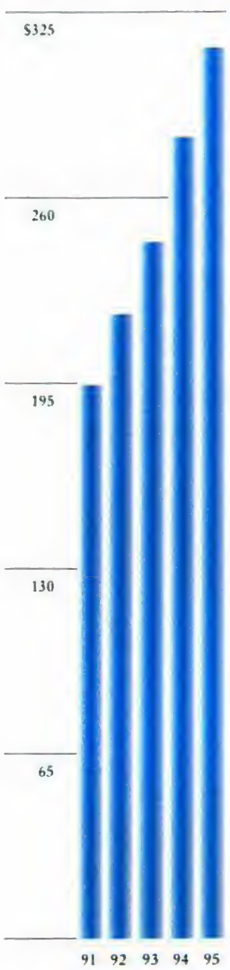
- Walgreens filled 170 million prescriptions in fiscal 1995 — 8% of the retail market. Healthcare Plus, Walgreens managed care subsidiary, increased mail service prescription sales 60%, to $200 million.
- Walgreens opened a record 206 stores in 1995 and remodeled 84 stores. Nearly 70% of stores have been built or substantially remodeled since 1990, and a full quarter of the chain — 551 stores — is new in the past three years.
- New market moves in 1995 include Philadelphia; Seattle/Tacoma; Oklahoma City; Richmond, Virginia; Corpus Christi, Texas; Little Rock, Arkansas; Chattanooga, Tennessee; and Allentown/Bethlehem, Pennsylvania. Walgreens announced plans in August to enter three additional major markets: Dallas/Fort Worth; Las Vegas, Nevada; and Portland, Oregon.
- Walgreens market capitalization grew from $100 million in 1974 to $6 billion at August 31, 1995.
- For the second consecutive year, Walgreens was included on *Fortune* magazine's "Most Admired Corporations in America" list. *Fortune* ranks Walgreens as the 120th largest company — and 16th largest retailer — in America.

## Walgreens 10-Year Stock Performance

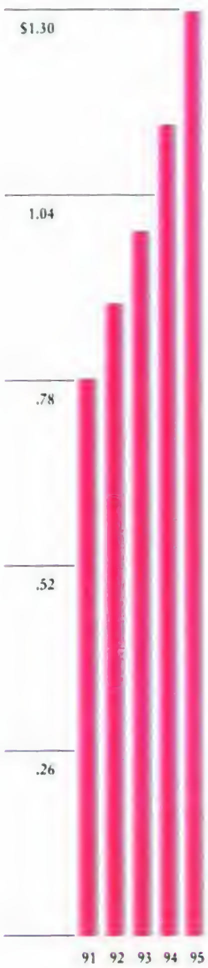
On August 31, 1985,
100 shares of Walgreen stock sold for $2,562.
Ten years later, on August 31, 1995,
those 100 shares, having split twice, were 400 shares
worth $9,800, for a gain of 283%.

# HIGHLIGHTS

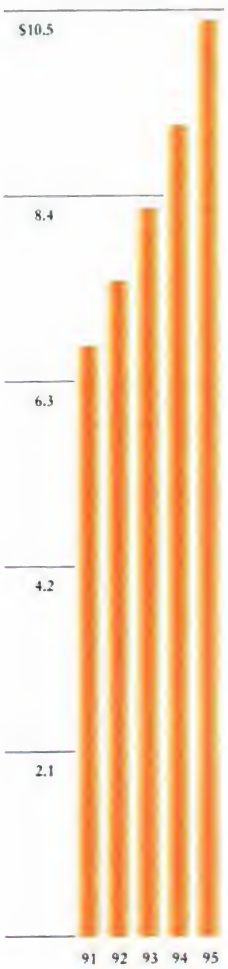
**Earnings**†
*Millions of Dollars*



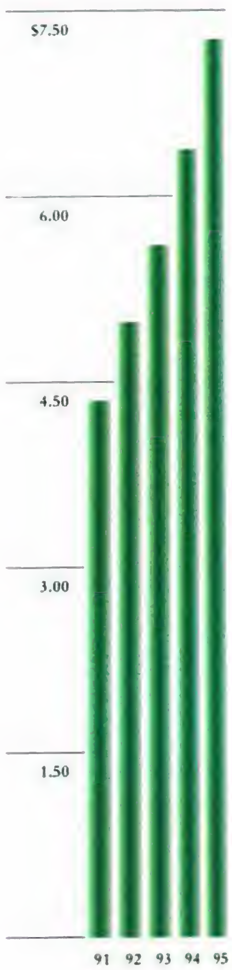

**Earnings per Share***†
*Dollars*



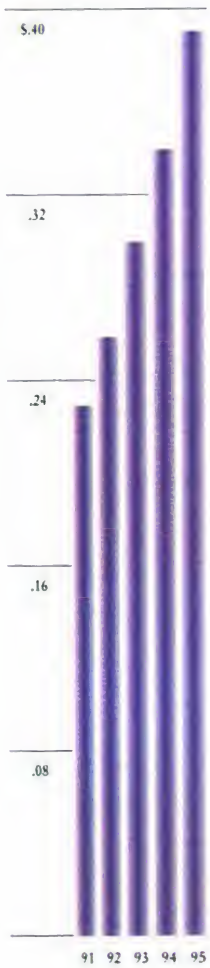

**Sales**
*Billions of Dollars*




**Shareholders' Equity***
*Dollars per Share at August 31*




**Dividends Declared***
*Dollars per Share*




* *Restated to reflect a two-for-one stock split distributed to shareholders August 8, 1995.*
† *Before accounting changes.*

Letter to Shareholders: November 22, 1995 *Fast... Focused... Friendly.* Three small words... but with powerful potential in the world of retailing! That's how we at Walgreens view them. We believe being *fast* (make that *very* convenient!), *focused* on our core strengths and *friendly* to our customers, enabled us to register our 21st consecutive year of record sales and earnings in 1995. That's a performance matched by very few in retailing... or any other industry. ■ Our sales for the year advanced 12.6% to $10.4 billion. Net earnings did even better... they were $320.8 million or $1.30 per share, up 13.8% from $282 million or $1.14 per share. Robust growth in the pharmacy — now 43% of all Walgreen sales — spearheaded these results by advancing an impressive 19.8% for the year. In comparable stores (those open at least one year), prescription sales increased 13.8% despite another year of low pharmacy inflation.

AMERICA'S PRESCRIPTION LEADER Walgreens is the largest and fastest growing retail prescription provider in America. Our pharmacists filled 170 million prescriptions in 1995 — 8% of the nation's total. Such growth — and growth *potential* because of our aging population — is why we're starting to roll out *Intercom Plus,* which we expect to be the most advanced pharmacy system in the industry. *Intercom Plus* will greatly enhance customer service, productivity, workflow and training in Walgreen pharmacies, and enable more

# WALGREENS IS FAST

pharmacist-to-patient counseling. All stores should be up and running on this multi-million dollar system by early 1997. ■ Fiscal 1995 was also a record expansion year for us. Two hundred and six bright new Walgreen drugstores — most of them freestanding with excellent parking — opened their doors for the first time last year. In August we announced plans to enter three additional major markets in the near future — Dallas/Fort Worth, Las Vegas and Portland, Oregon. Other new markets include Philadelphia, Seattle/Tacoma, Oklahoma City, Corpus Christi, Little Rock, Chattanooga and Allentown/Bethlehem. Two hundred and fifteen new drugstores are planned for fiscal 1996, and this aggressive expansion pace should actually *increase* through the year 2000. By then we fully expect to be operating 3,000 Walgreen drugstores across the nation. This growth should expand our enviable market share positions. Walgreens is now first or second in 35 of its top markets — all of which rank in the largest 100 drugstore markets in the U.S.

WALGREENS + MANAGED CARE = GROWTH Expanding market share is especially advantageous because of the rapid growth of managed care prescription sales, which now account for *more than two-thirds* of all retail prescriptions in the U.S. Combine that number with estimates that *95% of the U.S. population will be in managed care by the year 2000,* and you'll understand why Walgreens takes this business seriously. Convenient drugstores with strong market presence are especially attractive to managed care providers, who want accessible pharmacy locations for their patients. ■ The growth in managed care is behind the formation of our own PBM (pharmacy benefits manager), under the name WHP Health Initiatives, Inc. This will provide a formal "umbrella" for services offered by our managed care subsidiary, Healthcare Plus — including third party retail and mail service prescriptions, long-term care pharmacy, durable medical equipment and home infusion services. **BEYOND THE PHARMACY** Walgreens is positioned for vigorous growth in over-the-counter medications, fueled by increased consumer self-medication, cost-containment pressures and reclassification of high-volume prescription drugs to OTC status. According to a major study, the U.S. market for OTC medications will grow from $8.4 billion in 1993 to $14 billion by 2000, rising at an annual average rate of 7.5%. ■ Our eighth major distribution center, in Woodland, California, near Sacramento, began shipping in July. The $60 million facility will serve Walgreens growing

*Charles R. Walgreen III (left) and L. Daniel Jorndt*

# FOCUSED FRIENDLY

West Coast store presence in California, Washington and Oregon. Another major development in 1995 was the chainwide rollout of Checkpoint, an electronic article surveillance system designed to curtail shoplifting. Early reports indicate Checkpoint has a positive effect on store gross profit.

**STRONG INVESTMENT, FINANCIAL CONDITION** Over the past five years we've invested more than $1 billion in new and remodeled stores, advanced systems and distribution centers. Capital spending for 1996 is targeted at over $300 million. ■ Walgreens possesses a strong balance sheet and is in excellent financial condition. The Board of Directors again voted a dividend increase. The December quarterly dividend will be 11 cents per share, up 12.8% for an annual rate of 44 cents per share. The Board also voted a two-for-one stock split, distributed August 8th. This is our third stock split in a decade. And, yes... Walgreens is now on the Internet. Our address is *http://www.walgreens.com.* ■ We are deeply grateful for the hard work and enthusiasm of our 68,000 team members across the country, who are keeping Walgreens *Fast, Focused and Friendly.* With them we look forward to another excellent year for your company.

C.R. Walgreen III — *Chairman*

L. Daniel Jorndt — *President*


TTLE RED
DING HOOD
Walgreens
The Pharmacy America Trusts
1-800-WALGREENS

"With two babies, your drive-through pharmacy is heaven-sent!"

**Jenny Madigan's been a Walgreen customer all her life. But she's never appreciated our fast service more than now. "The first time I shopped at your store in Highland Park (Illinois), I thought 'they must believe I'm someone special.' People were that nice."**

**It got better: this summer, ill with a throat infection, Jenny used our prescription window with John (pictured) and four-month-old Therese. "I was truly miserable," she recalls, "and asked the pharmacist to add a bottle of Tylenol to my order. She went one better — a minute later she was handing me a glass of water and two Tylenol tablets. There's no act of kindness I could have appreciated more." In the background is our pharmacy manager, Lora Saposnik.**

## Serving Customers as Consistently as Cal Ripken, Jr. Plays Baseball . . .

Twenty-one years of record sales and earnings. It beats 97 percent of America's publicly-owned companies. It beats *Chorus Line's* run on Broadway. Heck, it even beats Cal Ripken, Jr. In 1974 — the year Walgreens started its "streak" — the Dow hit 882, Jimmy Connors and Chris Evert announced their engagement and the Middle East oil embargo stretched gas station lines for blocks.

The problem with *setting* records, of course, is *breaking* them . . . again . . . and again . . . and again. Expectations that Walgreens will continue to do so are high. "'Status quo' is unacceptable language here," says Chairman Charles R. Walgreen III. "What we have is never good enough . . . whether it's a store that needs relocating, a system that needs redesign or an operations cost we believe can be lowered. To stay ahead, we've got to run a little scared . . . *always*."

**We're in the preservation-of-time business.** Consumer authority Faith Popcorn says retailers who'll be around 10 years from now are those who recognize the time factor. Walgreens does. A nearly fanatical dedication to convenience is responsible for much of our success over the past two decades.

Many people have a *poverty* of time. In a 1993 survey, 67% of those questioned — 12% more than in 1988 — rated "makes it easy to shop" as important in choosing retailers. That's where Walgreens shines — we give our customers time to spend doing things they *want* to do, not *have* to do.

Wherever, however, whenever we can find a way to be more convenient, we pursue it.

- We're increasing market share by adding freestanding sites. We opened 206 stores during fiscal 1995 and plans call for 215 in 1996. At Walgreens, convenience isn't just being on the right street — it's being on the right *side* of the right street.
- More than 300 stores offer 24-hour service.
- Market share is growing steadily in our four RxPress (pharmacy only) markets.

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## Fast Service Builds RxPress

Six to eight RxPress stores (pharmacy only) will be added in Southern California in 1996 and Walgreens will rapidly expand this concept there. Our five RxPress stores in Evansville, Indiana, meanwhile, are closing in on Number One pharmacy market share, just four years after we entered that city. Sales are exceeding expectations in the newer markets of Wichita and Spokane.


## The Electronic Speedway

Bar coded labels guide merchandise through nearly nine miles of conveyors in Walgreens new northern California distribution center. The chain continually scrutinizes systems to keep up with store growth, improve efficiency and lower costs. During 1996, we'll build a highly customized 'pick-to-light' system for split-case merchandise.


## Reaching New Heights

Advanced forklift technology allowed Walgreens to add another level of storage to its newest distribution center in Woodland, California. The $60 million, 335,000-square-foot facility opened this spring to support aggressive West Coast store expansion. Over the next several years, Walgreens will focus on technology upgrades and expansion of existing facilities to accommodate growth and keep us on the leading edge of retail distribution.

## High-Tech Trucks Wheel across America

Walgreen semi drivers now communicate via on-board computer systems. Through bar code scanning, the new system tracks data such as fuel costs, mileage and payroll hours. It also pinpoints delivery times so store managers can better schedule employees. Walgreen trucks travel 13 million miles a year; stores receive merchandise within two days of placing orders.


• Most new and many remodeled stores have single, double — or even triple — drive-through pharmacy lanes.

• We're not only easy to get *to*… we're easy to get *through.* Our organized store layouts promote fast in-and-out shopping. So do customer-friendly systems like scanning, debit cards and "one-stop" rebate programs.

• By the end of 1996, more than 400 stores will offer one-hour photofinishing.

• Walgreens revolutionary new pharmacy system, *Intercom Plus,* will speed patient service.

• Our *1-800-Walgreens* number offers emergency prescription delivery and — in selected markets — touch-tone refills.

• Prescriptions are mailed directly to one million patients by Walgreens managed care subsidiary, Healthcare Plus.

# FRIENDLY

• In-stock condition of advertised merchandise will improve this year with the introduction of PMM, a system targeting the management of promotional inventory.

**Reinventing our store base.** New markets get a lot of press. Every bit as important is our ability to improve our position in established markets by adding stores, closing stores, and relocating stores to super-convenient sites.

An excellent example is Rockford, Illinois, the state's second largest city with a population of 160,000. In 1992, Rockford was a mediocre Walgreen market with five aging stores and an 18% market share. Today Rockford has six Walgreens. Four are brand new, including one 24-hour store and three with drive-through prescription service. The result? We've *doubled* market share, moving into the Number One position.

This is happening — and will continue to happen — across the country, from Phoenix to Milwaukee to New Orleans, where, in five years, we've jumped from Number Three market share to Number One. There's nothing static about shopping patterns — the retailer who doesn't keep up *will* fall down.

PHOTOS IN 3,600 SECONDS

**Walgreens is installing one-hour photofinishing departments in all new stores and retrofitting selected existing markets to include this service.**

**From old-line East Coast to the West's glitz and glitter.** Our first Philadelphia market store will open in January, while several sites are already approved in our newest markets: Dallas/Fort Worth and Las Vegas, where we'll open 10 to 15 stores each in 1996; and Portland, Oregon, with four to five Walgreens planned in the next 12 months.

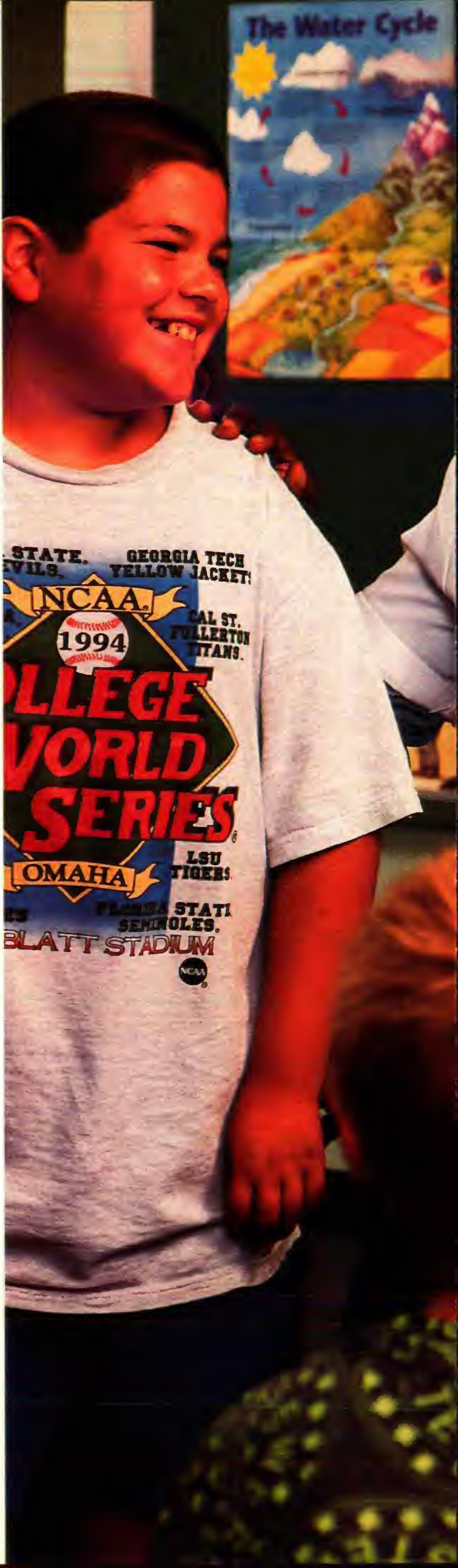
In the greater Cleveland market, which we entered last fall with 15 locations, self-service sales volume in two-thirds of the stores has already exceeded estimates. We anticipate the first stores turning profitable by the end of fiscal 1996. Stores in Tulsa, Oklahoma, and Baton Rouge, Louisiana, are also exceeding expectations, while Indianapolis, a three-year-old market which started more slowly, is turning in comparable store sales gains of well over 15%.

"Gaining share in new markets is like water dripping on a rock," says President Dan Jorndt. "It takes hard work, patience and deep pockets. Fancy grand openings are exciting, but the difference between success and failure is what happens after the balloons come down and the dignitaries go home. Our strong commitment to convenience, service and growth in new markets will bring long-term success."

**We're not afraid of competition.** Overstoring? It's not a problem for Walgreens, due chiefly to our convenience strategy and continued consolidation in the industry. The number of independent pharmacies, for example, declines every year. Fifteen hundred independents closed in 1994, many driven out of business by the nation's rapid move toward lower-margin, third party pharmacy business.

Conventional drugstore chains and deep discounters are also consolidating. Since January 1994, 14 drug chains, which operated 2,500 stores, have disappeared. There is tremendous pressure on weak regional chains lacking the resources to update stores and lower costs through technology.

At the same time, the strong grow stronger. No one can underestimate the pervasiveness of Wal-Mart, which continues to gain our respect as one of the world's premier retailers.




**"Pharmacy improves lives... inside — and outside — the workplace."**

Raleigh Stewart's pharmacy jacket is a familiar sight in classrooms at Apopka Elementary School in Orlando. "No age is too young to start thinking about a career," stresses the Healthcare Plus pharmacist. "I give kids a reason to listen when the teacher says, 'Do your homework' or 'study math.' I want them to see pharmacists as professional, caring people who are respected within the community."

During the decade he's worked for Walgreens, Stewart has been a source of information, compassion and encouragement for countless Orlando customers. "They must see me as a good listener," he says. "One elderly woman even called me at home for advice on a personal problem... together my wife and I worked out a way to help her."

### LOADED LAPTOPS = INVENTORY LEVERAGE

**It's an interesting view either way — San Francisco's sparkling bay or a laptop computer loaded with scanning data. The latter is definitely more useful — it helps Walgreen district manager Bob Arenson determine how much ad merchandise should go to each of his 25 stores. The program, called PMM — for Promotional Merchandise Management — uses store-level scanning information to develop individual forecasts for promotional inventory. It will increase sales and customer satisfaction by better allocating merchandise to stores.**

# FAST FOCUSED

### 21ST CENTURY PRESCRIPTIONS

***Intercom Plus*** **will "revolutionize the way prescriptions are filled in America," says Walgreen president Dan Jorndt. The new pharmacy system, developed in partnership with Andersen Consulting, should be chainwide by early 1997. Here, Des Moines pharmacy manager Laura Dickinson introduces intern Vince Skorey to** ***Intercom Plus*** **CD-ROM interactive training.**


**THIRD PARTY TIME AT WALGREENS**
**From the Boy Scouts of America to Aetna Insurance to state Medicaid plans, third party prescriptions account for two-thirds of Walgreens pharmacy business. We accept more third party plans than any drugstore chain.**

Target, too, is a solid mass merchant competitor. We take both on — we build stores "in their front yards," using sharp-edged convenience to blunt powerful bulk.

We do the same with the strong regional drugstore competitors. The best of these are now investing in freestanding locations and other concepts which Walgreens pioneered and in which we've built years of operating experience. As Louis Armstrong once said, "A lotta cats copy the Mona Lisa, but people still line up to see the original."

**Green lights for the prescription business.** Pharmacy will be half our business by the end of the decade. To meet increased demand, we've developed *Intercom Plus*, a revolutionary workflow/computer system which will be chainwide by early 1997.

FRIENDLY

*Intercom Plus* streamlines the dispensing process, increasing productivity and maximizing our pharmacists' professional skills and time. It spreads workflow evenly over the day so that customers are served faster. We believe *Intercom Plus* will take us from an average 230 prescriptions per day now to more than 400 per day by the year 2000.

**More than mail service.** We formed our Healthcare Plus subsidiary four years ago, initially to build our mail service prescription business. It's doing that… and, as we planned, has evolved into much more. In 1995 we pulled several areas into Healthcare Plus so we can market an integrated, full line of pharmacy and related services to managed care organizations.

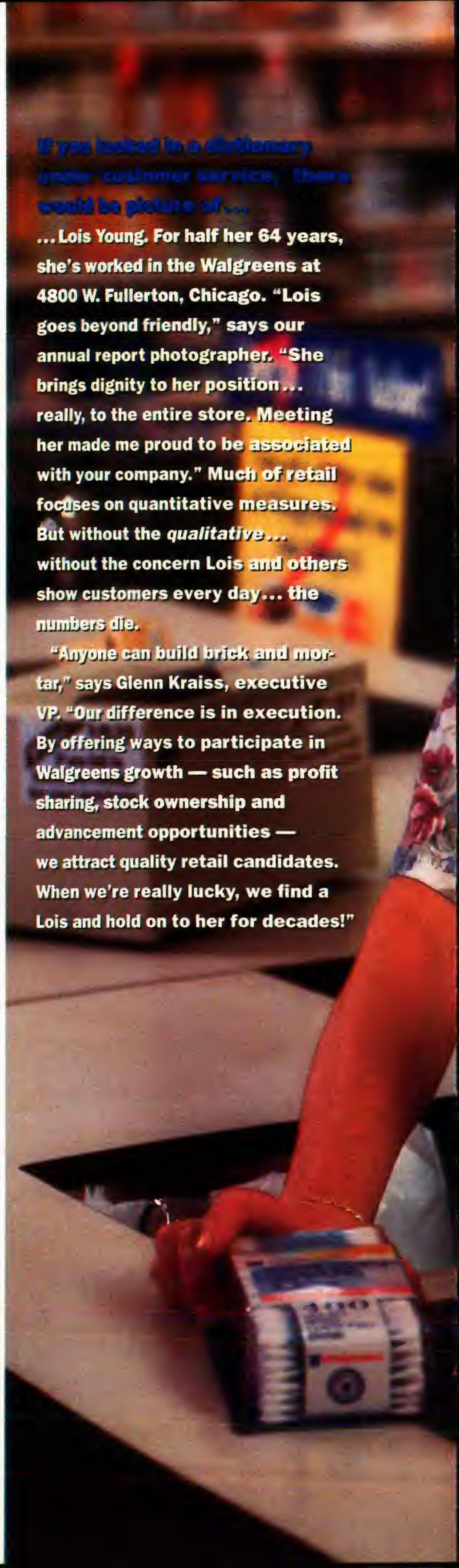
Healthcare Plus now offers sales, marketing and operational support for third party retail and mail prescriptions, long-term care pharmacy, durable medical equipment and home infusion. We've also formed our own PBM (pharmacy benefits manager) network. Called WHP Health Initiatives, Inc., it will begin serving new plans in January. Our target clients are small-to-medium sized employers and HMOs in Walgreens top 28 retail markets.

**THE PHARMACY IN YOUR MAILBOX**
**Sales at Walgreens mail service facilities in Orlando and Tempe, Arizona, reached $200 million in 1995, and are projected to increase 40% in 1996. We are committed to being among the top three mail service providers in the nation by the year 2000.**

**But what does it all *cost?*** Walgreens is head and shoulders above the industry in the amount of capital we plow back into our business. The lion's share of 1996's $300 million-plus capital budget — 60% — will go to new and remodeled stores. Technology, including *Intercom Plus*, will consume 25%, and the balance will fund distribution upgrades, Healthcare Plus developments and various store support projects.

Technology is critical to meeting our ambitious goal of reducing costs to 20% of sales by the turn of the century. Last year, costs dipped to 23%, the lowest in our history. Pushing this number down are...

- Increased sales volume and efficiencies realized through expansion, which spreads expenses over more stores.
- Comparability of store growth expenses.
- Installation of SIMS (Strategic Inventory Management) auto-reorder system chainwide. Our inventory investment-to-sales ratio continues to improve in markets where we've had SIMS the longest. In the distribution centers, SIMS has already saved more than $100 million in inventory investment, while increasing inventory turns by *two*. SIMS also adds to sales by reallocating inventory — basically, getting the right items to the right stores at the right times, thus improving our in-stock condition.
- Technology such as scanning, *Intercom Plus*, LANs and electronic payroll, all of which will increase store productivity and give managers better information tools. We're moving from a "rear-view mirror" approach, which told managers what happened last month, to systems which let them look out the windshield and make corrections before it's too late.
- Efficiencies in distribution centers. In 1995, for example, distribution costs per order decreased while store replenishment requirements rose 13%. Our eighth major distribution center, which opened in northern California this spring, will save $2 million its first year just in transportation costs to West Coast stores, previously served by our Flagstaff, Arizona, center.



**If you looked in a dictionary under "customer service," there would be picture of...**

**...Lois Young. For half her 64 years, she's worked in the Walgreens at 4800 W. Fullerton, Chicago. "Lois goes beyond friendly," says our annual report photographer. "She brings dignity to her position... really, to the entire store. Meeting her made me proud to be associated with your company." Much of retail focuses on quantitative measures. But without the *qualitative*... without the concern Lois and others show customers every day... the numbers die.**

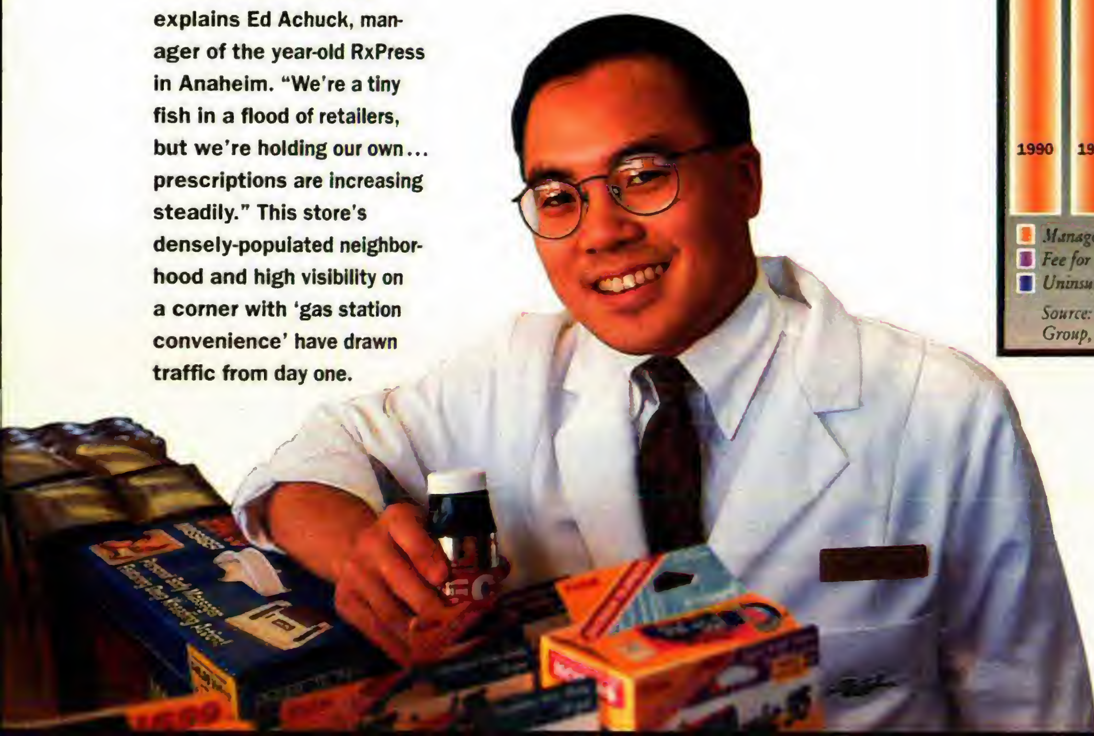
**"Anyone can build brick and mortar," says Glenn Kraiss, executive VP. "Our difference is in execution. By offering ways to participate in Walgreens growth — such as profit sharing, stock ownership and advancement opportunities — we attract quality retail candidates. When we're really lucky, we find a Lois and hold on to her for decades!"**

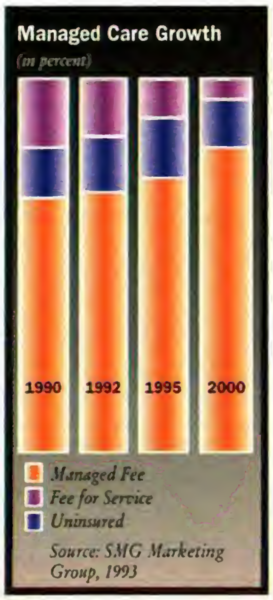

Walgreens
LOIS
HERE TO SERVE YOU
NVP
48

# FAST FOCUSED

## They Come for the Location and Return for the Service

**"Our store represents Walgreens first presence in Southern California," explains Ed Achuck, manager of the year-old RxPress in Anaheim. "We're a tiny fish in a flood of retailers, but we're holding our own... prescriptions are increasing steadily." This store's densely-populated neighborhood and high visibility on a corner with 'gas station convenience' have drawn traffic from day one.**






## Managed Care Drives Retail Rx

**Walgreens, with a nationwide network of stores, mail service facilities and our own PBM, is a major player in the managed care arena, serving clients such as Alcoa. Here, district pharmacy supervisor Ken Anderson and pharmacy manager Michaelle Coulter welcome Alcoa employees to a new freestanding store in Knoxville, Tennessee. By the year 2000, it's estimated the vast majority of the U.S. population will be covered by managed care health plans.**

### Two Hundred Yards Equals $2 Million

**For 22 years, Walgreens ran a successful 24-hour store on Bee Ridge Road in Sarasota, Florida. As of August 25, 1995, make that "*very* successful." That's the day Frank Neal and his staff opened their relocated store — a freestanding Walgreens with double drive-through prescription lanes — just across the street from their old shopping center location. "We believe we'll pick up $2 million in sales volume our first year," says Neal. This was one of 66 stores relocated in 1995; 70 relocations are planned in this fiscal year.**

**The "line in the sand" is working.** Pushing costs down is part of the equation. In tandem, we're striving to stabilize — and where possible, improve — gross profit margins.

• Our "line in the sand" program for third party prescriptions, announced a year ago, is working. While overall prescription margins continue to tick down as the mix of third party to total Rx sales increases, better contracts and higher fees are relieving pressure on these margins. Third party payers know Walgreens is serious when we say, "*we will not take unprofitable plans.*"

• Checkpoint, the electronic article surveillance system designed to control shoplifting, has been chainwide since June. Early reports indicate a positive effect on gross profits.

• Once-a-week newspaper advertising, which will be chainwide as of January, is improving gross profits in test markets, as well as boosting customer satisfaction due to out-of-stock control.

# FRIENDLY

**But would anyone miss us?** "Great retailing," says Texas A&M professor Leonard Berry, "is not rocket science. Mostly it's a sensible idea executed superbly by people who care about customers and care about excellence."

Dr. Berry poses the ultimate question: "If your stores were to disappear overnight, would your customers really miss you?"

Honestly, *yes*. Walgreens is an integral part of America's retail healthcare landscape. We're relied upon for prescriptions by more people than any company in the United States. Our stability and future prospects attract — and keep — a talented work force. We have a carefully defined niche in retailing and we've built the infrastructure to support it.

Walgreens remains dedicated to being one of America's top 21st century retailers. That "got-to-run-a-little-scared," "almost fanatical" attitude we mentioned a few pages ago is alive and *very* healthy throughout the organization. We care about customers ... and we care about excellence. ■

# Eleven-Year Summary of Selected Consolidated Financial Data

*Walgreen Co. and Subsidiaries*
*(Dollars in Thousands, except per share data)*

| | Fiscal Year | 1995 | 1994 | 1993 |
|---|---|---|---|---|
| **Net Sales** | | $10,395,096 | $9,234,978 | $8,294,840 |
| **Costs and Deductions** | Cost of sales | 7,482,344 | 6,614,445 | 5,959,002 |
| | Selling, occupancy and administration | 2,392,731 | 2,164,889 | 1,929,630 |
| | Other (income) expense *(1)* | (3,720) | (2,777) | 6,532 |
| | Total Costs and Deductions | 9,871,355 | 8,776,557 | 7,895,164 |
| **Earnings** | Earnings before income tax provision and cumulative effect of accounting changes | 523,741 | 458,421 | 399,676 |
| | Income tax provision | 202,950 | 176,492 | 154,387 |
| | Earnings before cumulative effect of accounting changes | 320,791 | 281,929 | 245,289 |
| | Cumulative effect of accounting changes *(2)* | — | — | (23,623) |
| | Net Earnings | $ 320,791 | $ 281,929 | $ 221,666 |
| **Per Common Share** *(3)* | Earnings before cumulative effect of accounting changes | $ 1.30 | $ 1.14 | $ .99 |
| | Net Earnings *(2)* | 1.30 | 1.14 | .90 |
| | Dividends Declared | .39 | .34 | .30 |
| | Book Value | 7.28 | 6.39 | 5.60 |
| **Non-Current Liabilities** | Long-term debt | $ 2,395 | $ 1,790 | $ 6,210 |
| | Deferred income taxes | 142,278 | 137,741 | 144,186 |
| | Other non-current liabilities | 237,586 | 213,796 | 176,218 |
| **Assets and Equity** | Total Assets | $ 3,252,607 | $2,872,841 | $2,506,034 |
| | Shareholders' Equity | $ 1,792,586 | $1,573,640 | $1,378,751 |
| | Return on Average Shareholders' Equity *(2)* | 19.1% | 19.1% | 17.0% |

*(1) Fiscal 1993 includes the $6,821,000 costs from the early redemption of the company's $100 million 9 1/2% sinking fund debentures, due 2016. Fiscal 1991 includes a $4,118,000 loss from the closing of the company's Memphis, Tennessee, distribution center. Fiscal 1989 includes a $6,114,000 loss on sale of manufacturing operations.*

*(2) In 1993, the company adopted two Statements of Financial Accounting Standards, No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" and No. 109 "Accounting for Income Taxes."*

*(3) Per share data have been adjusted for two-for-one stock splits in 1995 and 1991.*

| 1992 | 1991 | 1990 | 1989 | 1988 | 1987 | 1986 | 1985 |
|---|---|---|---|---|---|---|---|
| $7,474,961 | $6,733,044 | $6,047,494 | $5,380,133 | $4,883,520 | $4,281,606 | $3,660,553 | $3,161,935 |
| 5,377,738 | 4,829,186 | 4,356,392 | 3,848,546 | 3,468,973 | 3,000,988 | 2,550,072 | 2,192,367 |
| 1,738,770 | 1,582,725 | 1,406,922 | 1,278,116 | 1,190,295 | 1,069,859 | 914,003 | 791,697 |
| 5,448 | 9,189 | 3,257 | 9,632 | 15,282 | 16,576 | 8,852 | 4,171 |
| 7,121,956 | 6,421,100 | 5,766,571 | 5,136,294 | 4,674,550 | 4,087,423 | 3,472,927 | 2,988,235 |
| 353,005 | 311,944 | 280,923 | 243,839 | 208,970 | 194,183 | 187,626 | 173,700 |
| 132,377 | 116,979 | 106,346 | 89,597 | 79,908 | 90,646 | 84,489 | 79,531 |
| 220,628 | 194,965 | 174,577 | 154,242 | 129,062 | 103,537 | 103,137 | 94,169 |
| — | — | — | — | — | — | — | — |
| $ 220,628 | $ 194,965 | $ 174,577 | $ 154,242 | $ 129,062 | $ 103,537 | $ 103,137 | $ 94,169 |
| $ .89 | $ .79 | $ .71 | $ .63 | $ .52 | $ .42 | $ .42 | $ .38 |
| .89 | .79 | .71 | .63 | .52 | .42 | .42 | .38 |
| .26 | .23 | .20 | .17 | .15 | .14 | .13 | .11 |
| 5.01 | 4.39 | 3.85 | 3.35 | 2.90 | 2.53 | 2.25 | 1.96 |
| $ 18,749 | $ 122,960 | $ 146,740 | $ 150,121 | $ 172,111 | $ 141,433 | $ 136,158 | $ 44,336 |
| 171,820 | 155,314 | 138,926 | 118,320 | 105,548 | 97,399 | 84,604 | 66,300 |
| 103,820 | 85,064 | 77,075 | 68,624 | 55,314 | 50,840 | 45,592 | 44,130 |
| $2,346,942 | $2,074,359 | $1,896,146 | $1,666,322 | $1,501,482 | $1,354,217 | $1,189,965 | $ 955,691 |
| $1,233,310 | $1,081,157 | $ 947,249 | $ 823,401 | $ 712,644 | $ 622,328 | $ 553,611 | $ 480,974 |
| 19.1% | 19.2% | 19.7% | 20.1% | 19.3% | 17.6% | 19.9% | 21.0% |

# Management's Discussion and Analysis of Results of Operations and Financial Condition

## Results of Operations

Fiscal 1995 was the twenty-first consecutive year of record sales and earnings. Net earnings were $321 million or $1.30 per share, an increase of 13.8% from last year's earnings of $282 million or $1.14 per share. Earnings increases resulted from higher sales and improved expense ratios.

Sales rose 12.6% to $10.4 billion in fiscal 1995 compared to increases of 11.3% in 1994 and 11.0% in 1993. Drugstore sales increases resulted from sales gains in existing stores and added sales from new stores, each of which include an indeterminate amount of market-driven price changes. Sales in comparable stores (those open at least one year) were up 7.2% in 1995, 5.5% in 1994 and 6.3% in 1993. New stores accounted for 7.6% of the sales gains in 1995, 7.4% in 1994 and 6.2% in 1993. The company operated 2,085 drugstores as of August 31, 1995, compared to 1,968 a year earlier.

In spite of continuing low rates of inflation on pharmaceuticals the last three years, pharmacy sales increased 19.8% in 1995, 18.9% in 1994 and 15.7% in 1993, with comparable stores up 13.8%, 12.1% and 11.3% in 1995, 1994 and 1993, respectively. Prescription sales were 43.4% of total sales for fiscal 1995 compared to 40.8% in 1994 and 38.2% in 1993. Pharmacy sales trends are expected to continue primarily because of expansion into new markets, increased penetration in existing markets and demographic changes such as the aging population.

Gross margins as a percent of sales decreased to 28.0% of sales from 28.4% last year and 28.2% in fiscal 1993. Prescription margins continue to decrease as third party sales become a larger portion of pharmacy sales. However, the rate of decrease is slowing as a result of emphasizing minimum profitability standards to third party payers.

The company uses the last-in, first-out (LIFO) method of inventory valuation. The effective LIFO inflation rates were 1.29% in 1995, .3% in 1994 and 2.1% in 1993, which resulted in charges to cost of sales of $21.4 million in 1995, $5.1 million in 1994 and $28.1 million in 1993. Inflation on prescription inventory was 2.8% in both fiscal 1995 and 1994, and 4.4% in 1993. Excluding prescriptions, the remaining inventory experienced slight deflation during fiscal 1995 and 1994.

Selling, occupancy and administration expenses were 23.0% of sales in fiscal 1995, 23.4% of sales in fiscal 1994 and 23.3% of sales in fiscal 1993. The fiscal 1995 decrease, as a percent to sales, was caused by store salaries, insurance costs and advertising. The fiscal 1994 increase was caused by higher store salaries, insurance costs and costs associated with closing retail locations.

Interest income decreases in both 1995 and 1994 resulted principally from lower investment levels. Average net investment levels were approximately $59 million in 1995, $105 million in 1994 and $138 million in 1993. The lower investment level in fiscal 1995 was substantially offset by higher interest rates. In fiscal 1993 the company retired $100 million 9 1/2% sinking fund debentures at a cost of $6.8 million ($.02 per share). This reduced interest expense by $6.7 million in 1993 and $9.5 million per year thereafter.

The fiscal 1995 effective tax rate was 38.75% compared to 38.5% in 1994 and 38.6% in 1993. The increase in rate in fiscal 1995 compared to 1994 was due to higher state income taxes and estimated interest on tax audits.

# Management's Discussion and Analysis of Results of Operations and Financial Condition
*(Continued)*

## Financial Condition

Cash and cash equivalents and marketable securities were $22 million at August 31, 1995, compared to $108 million at August 31, 1994. Short-term investment objectives are to maximize yields while minimizing risk and maintaining liquidity. To attain these objectives, investment limits are placed on the amount, type and issuer of securities.

Net cash provided by operating activities decreased $11 million compared to the same period a year ago. This decrease resulted primarily from increased inventories to support store growth, offset by higher earnings. The company's ongoing profitability is expected to continue supporting expansion and remodeling programs, dividends to shareholders and the funding for various technological improvements.

Net cash used for investing activities was $299 million for fiscal 1995 versus $284 million last year. Additions to property and equipment were $310 million compared to $290 million last year. Additions for this fiscal year included expenditures for the new Woodland, California, distribution center. During the year, a record 206 new or relocated drugstores were opened. This compares to 196 new or relocated drugstores opened in the same period last year. New stores are purchased or leased. Openings for this fiscal year included 17 purchased locations versus 31 for the same period last year. Planned capital expenditures for fiscal 1996 are expected to exceed $300 million.

The company expects to open 215 new stores in fiscal 1996 and continue to open 200 or more stores annually for the next five years. Plans during fiscal 1996 include opening 10 to 15 stores each in the new Dallas/Fort Worth and Las Vegas markets, as well as four to five in Portland, Oregon. With the movement to freestanding store locations (from strip centers and malls), the decision has been made to purchase, rather than lease, more store locations than in the past. This will eventually result in lower store occupancy costs and provide the foundation to capitalize on the strength of the real estate selection process. Borrowings may be necessary to finance these future obligations. By the end of fiscal 1996 more than 400 stores are expected to offer one-hour photofinishing. Store implementation of Intercom Plus, an advanced pharmacy computer and workflow system, is expected to be completed in fiscal 1997. Healthcare Plus, the company's managed care subsidiary, has formed its own PBM (pharmacy benefits manager) network and will begin serving new plans in January.

Net cash used for financing activities was $102 million for fiscal 1995 compared to $86 million in fiscal 1994. At August 31, 1995, the company had $123 million in unused bank lines of credit and $100 million of unissued authorized debt securities, previously filed with the Securities and Exchange Commission. In addition, the company has the ability to borrow an additional $93 million against corporate-owned life insurance policies.

Earlier this fiscal year, the company received an unfavorable Tax Court ruling concerning the depreciable lives of certain assets. The company appealed, and on October 17, 1995, the United States Court of Appeals rendered an opinion which reversed the ruling. The case, which involves approximately $50 million of tax deductions taken in prior years, was remanded back to the Tax Court for further findings on the facts. As of August 31, 1995, the company has adequately provided for all the tax and related interest.

Adoption of Financial Accounting Board Statement No. 121 "Accounting for the Impairment of Long-Lived Assets" is required by fiscal 1997. This pronouncement requires long-lived assets to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. When adopted, it is not expected to significantly impact the company's consolidated financial position or results of operations.

# Consolidated Statements of Earnings and Retained Earnings

*Walgreen Co. and Subsidiaries*
*For the Years Ended August 31, 1995, 1994 and 1993*
*(Dollars in Thousands, except per share data)*

| | Earnings | 1995 | 1994 | 1993 |
|---|---|---|---|---|
| **Net Sales** | | $10,395,096 | $9,234,978 | $8,294,840 |
| **Costs and Deductions** | Cost of sales | 7,482,344 | 6,614,445 | 5,959,002 |
| | Selling, occupancy and administration | 2,392,731 | 2,164,889 | 1,929,630 |
| | | 9,875,075 | 8,779,334 | 7,888,632 |
| **Other (Income) Expense** | Interest income | (4,910) | (5,363) | (6,743) |
| | Interest expense | 1,190 | 2,586 | 6,454 |
| | Debt redemption costs | — | — | 6,821 |
| | | (3,720) | (2,777) | 6,532 |
| **Earnings** | Earnings before income tax provision and cumulative effect of accounting changes | 523,741 | 458,421 | 399,676 |
| | Income tax provision | 202,950 | 176,492 | 154,387 |
| | Earnings before cumulative effect of accounting changes | 320,791 | 281,929 | 245,289 |
| | Cumulative effect of accounting changes | — | — | (23,623) |
| | Net earnings | $ 320,791 | $ 281,929 | $ 221,666 |
| **Net Earnings per Common Share** | Earnings before cumulative effect of accounting changes | $ 1.30 | $ 1.14 | $ .99 |
| | Cumulative effect of accounting changes | — | — | (.09) |
| | Net earnings | $ 1.30 | $ 1.14 | $ .90 |

| Retained Earnings | 1995 | 1994 | 1993 |
|---|---|---|---|
| Balance, beginning of year | $ 1,496,721 | $1,301,832 | $1,156,391 |
| Net earnings | 320,791 | 281,929 | 221,666 |
| Cash dividends declared: $.39 per share in 1995, $.34 in 1994 and $.30 in 1993 | (95,995) | (83,688) | (73,843) |
| Employee stock purchase and option plans | (5,850) | (3,352) | (2,382) |
| Balance, end of year | $ 1,715,667 | $1,496,721 | $1,301,832 |

*The accompanying Statement of Major Accounting Policies and the Notes to Consolidated Financial Statements are integral parts of these statements.*

# Consolidated Balance Sheets

*Walgreen Co. and Subsidiaries*
*At August 31, 1995 and 1994*
*(Dollars in Thousands)*

| | Assets | 1995 | 1994 |
|---|---|---|---|
| **Current Assets** | Cash and cash equivalents | $ 22,245 | $ 77,915 |
| | Marketable securities at cost, which approximates market | — | 30,510 |
| | Accounts receivable, net of allowances for doubtful accounts of $24,633 in 1995 and $21,601 in 1994 | 246,086 | 193,930 |
| | Inventories | 1,453,881 | 1,263,400 |
| | Other current assets | 90,705 | 71,148 |
| | Total Current Assets | 1,812,917 | 1,636,903 |
| **Non-Current Assets** | Property and equipment, at cost, less accumulated depreciation and amortization | 1,248,962 | 1,085,487 |
| | Other non-current assets | 190,728 | 150,451 |
| | Total Assets | $3,252,607 | $2,872,841 |

| | Liabilities and Shareholders' Equity | 1995 | 1994 |
|---|---|---|---|
| **Current Liabilities** | Trade accounts payable | $ 606,263 | $ 532,816 |
| | Accrued expenses and other liabilities | 448,219 | 390,683 |
| | Income taxes | 23,280 | 22,375 |
| | Total Current Liabilities | 1,077,762 | 945,874 |
| **Non-Current Liabilities** | Deferred income taxes | 142,278 | 137,741 |
| | Other non-current liabilities | 239,981 | 215,586 |
| | Total Non-Current Liabilities | 382,259 | 353,327 |
| **Shareholders' Equity** | Preferred stock, $.25 par value; authorized 8,000,000 shares; none issued | — | — |
| | Common stock, $.3125 par value; authorized 800,000,000 shares; issued and outstanding 246,141,072 in 1995 and 1994, at stated value | 76,919 | 76,919 |
| | Retained earnings | 1,715,667 | 1,496,721 |
| | Total Shareholders' Equity | 1,792,586 | 1,573,640 |
| | Total Liabilities and Shareholders' Equity | $3,252,607 | $2,872,841 |

*The accompanying Statement of Major Accounting Policies and the Notes to Consolidated Financial Statements are integral parts of these statements.*

# Consolidated Statements of Cash Flows

*Walgreen Co. and Subsidiaries*
*For the Years Ended August 31, 1995, 1994 and 1993*
*(Dollars in Thousands)*

| | Fiscal Year | 1995 | 1994 | 1993 |
|---|---|---|---|---|
| **Cash Flows from Operating Activities** | Net earnings | $ 320,791 | $ 281,929 | $ 221,666 |
| | Adjustments to reconcile net earnings to net cash provided by operating activities – | | | |
| | Depreciation and amortization | 131,537 | 118,118 | 104,660 |
| | Cumulative effect of accounting changes | — | — | 23,623 |
| | Deferred income taxes | (7,213) | 5,653 | (12,645) |
| | Other | 3,388 | 15,983 | 3,631 |
| | Changes in operating assets and liabilities – | | | |
| | Inventories | (190,481) | (169,365) | (99,867) |
| | Trade accounts payable | 73,447 | 105,631 | 15,502 |
| | Accrued expenses and other liabilities | 41,669 | 35,051 | 54,230 |
| | Accounts receivable, net | (36,265) | (50,692) | (7,427) |
| | Insurance reserves | 14,982 | 16,797 | 10,056 |
| | Other current assets | (7,807) | (3,910) | (7,814) |
| | Income taxes | 905 | 693 | 184 |
| | Net cash provided by operating activities | 344,953 | 355,888 | 305,799 |
| **Cash (Used for) Provided by Investing Activities** | Additions to property and equipment | (310,254) | (289,976) | (184,674) |
| | Net investment in corporate-owned life insurance | (34,140) | (6,445) | (35,981) |
| | Net sales (purchases) of marketable securities | 30,510 | (815) | 51,349 |
| | Proceeds from disposition of property and equipment | 15,242 | 13,704 | 8,973 |
| | Net cash used for investing activities | (298,642) | (283,532) | (160,333) |
| **Cash (Used for) Provided by Financing Activities** | Cash dividends paid | (92,918) | (81,226) | (71,382) |
| | Payments of long-term obligations | (7,129) | (5,760) | (112,053) |
| | Cost of employee stock purchase and option plans | (5,850) | (3,352) | (2,382) |
| | Proceeds from (purchases for) employee stock plans | 3,916 | 4,300 | (12,592) |
| | Net cash used for financing activities | (101,981) | (86,038) | (198,409) |
| **Changes in Cash and Cash Equivalents** | Net decrease in cash and cash equivalents | (55,670) | (13,682) | (52,943) |
| | Cash and cash equivalents at beginning of year | 77,915 | 91,597 | 144,540 |
| | Cash and cash equivalents at end of year | $ 22,245 | $ 77,915 | $ 91,597 |

*The accompanying Statement of Major Accounting Policies and the Notes to Consolidated Financial Statements are integral parts of these statements.*

# Statement of Major Accounting Policies

## Principles of Consolidation

The consolidated statements include the accounts of the company and its subsidiaries. All significant intercompany transactions have been eliminated. Certain amounts in the 1994 and 1993 Consolidated Financial Statements have been reclassified to be consistent with the 1995 presentation.

## Accounting Changes

In fiscal 1993 the company adopted two Statements of Financial Accounting Standards, SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" and SFAS No. 109, "Accounting for Income Taxes."

## Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and all highly liquid investments with an original maturity of three months or less. All other temporary investments are classified as marketable securities.

The company's cash management policy provides for the bank disbursement accounts to be reimbursed on a daily basis. Checks issued but not presented to the banks for payment of $130,000,000 and $88,000,000 at August 31, 1995 and 1994, respectively, are included in cash and cash equivalents as reductions of other cash balances.

## Financial Instruments

The company had approximately $18,000,000 and $20,000,000 of outstanding letters of credit at August 31, 1995 and 1994, respectively, which guaranteed foreign trade purchases. Additional outstanding letters of credit of $57,000,000 at August 31, 1995 and $49,000,000 at August 31, 1994 were related to insurance activities. The company also has purchase commitments of approximately $17,000,000 related to the purchase of store locations. There were no investments in derivative financial instruments during fiscal 1995 and 1994.

## Inventories

Inventories are valued on a lower of last-in, first-out (LIFO) cost or market basis. At August 31, 1995 and 1994, inventories would have been greater by $415,015,000 and $393,568,000, respectively, if they had been valued on a lower of first-in, first-out (FIFO) cost or market basis. Cost of sales is primarily computed on an estimated basis and adjusted based on periodic inventories.

## Property and Equipment

Depreciation is provided on a straight-line basis over the estimated useful lives of owned assets. Leasehold improvements and leased properties under capital leases are amortized over the estimated physical life of the property or over the term of the lease, whichever is shorter. Major repairs which extend the useful life of an asset are capitalized in the property and equipment accounts. Routine maintenance and repairs are charged against earnings. The composite method of depreciation is used for equipment; therefore, gains and losses on retirement or other disposition of such assets are included in earnings only when an operating location is closed or completely remodeled. Fully depreciated property and equipment are removed from the cost and related accumulated depreciation and amortization accounts.

Property and equipment consists of *(In Thousands)*:

| | 1995 | 1994 |
|---|---|---|
| Land and land improvements | $ 88,097 | $ 78,118 |
| Buildings and building improvements | 555,645 | 498,673 |
| Equipment | 1,047,548 | 909,187 |
| Capitalized systems development costs | 117,545 | 87,885 |
| Capital lease properties | 21,930 | 23,378 |
| | 1,830,765 | 1,597,241 |
| Less: accumulated depreciation and amortization | 581,803 | 511,754 |
| | $1,248,962 | $1,085,487 |

The company capitalizes significant systems development costs. These costs are amortized over a five-year period as phases of these systems are implemented. Unamortized costs as of August 31, 1995 and 1994, were $84,910,000 and $66,303,000, respectively. Amortization of these costs were $11,053,000, $8,901,000 and $5,712,000 in 1995, 1994 and 1993, respectively.

## Income Taxes

The company provides for federal and state income taxes on items included in the Consolidated Statements of Earnings regardless of the period when such taxes are payable. Deferred taxes are recognized for temporary differences between financial and income tax reporting based on enacted tax laws and rates.

## Retirement Benefits

The principal retirement plan for employees is the Walgreen Profit-Sharing Retirement Trust, to which both the company and the employees contribute. The company's contribution, which is determined annually at the discretion of the Board of Directors, has historically related to pretax income. The profit-sharing provision was $44,315,000 in 1995, $37,683,000 in 1994 and $35,119,000 in 1993.

The company provides certain health and life insurance benefits for retired employees who meet eligibility requirements, including age and years of service. The costs of these benefits are accrued over the period earned. The company's postretirement benefit plans currently are not funded.

The company has deferred compensation plans which permit directors and certain management employees the right to defer a portion of their compensation. The participants earn interest on deferred amounts depending on various factors defined in the plans. Although not linked to the plans, the company has purchased life insurance on the participants and other key employees to fund the distributions under these and other benefit plans.

# Statement of Major Accounting Policies

*(Continued)*

### Net Earnings Per Common Share

Primary net earnings per share were computed using weighted average number of shares and common share equivalents outstanding of 247,527,030 in 1995, 247,292,458 in 1994 and 247,539,548 in 1993. Fully diluted net earnings per share are the same as primary net earnings per share.

### Pre-Opening Expenses

Non-capital expenditures incurred prior to the opening of a new or remodeled store are charged against earnings when they are incurred.

### Advertising Costs

Advertising costs are expensed as incurred, and were $85,907,000 in 1995, $93,467,000 in 1994 and $88,102,000 in 1993.

# Notes to Consolidated Financial Statements

### Interest Expense

The company capitalized $751,000, $482,000 and $394,000 of interest expense as part of significant construction projects during fiscal 1995, 1994 and 1993, respectively. Interest paid, net of amounts capitalized, was $2,950,000 in 1995, $1,954,000 in 1994 and $9,950,000 in 1993. In fiscal 1993 the company retired $100 million 9 1/2% sinking fund debentures, due 2016.

### Leases

The company generally operates in leased premises. Original non-cancelable lease terms typically are 20 years and may contain escalation clauses, along with options that permit renewals for additional periods. The total amount of the minimum rent is expensed on a straight-line basis over the term of the lease. In addition to minimum fixed rentals, most leases provide for contingent rentals based upon sales.

Minimum rental commitments at August 31, 1995, under all leases having an initial or remaining non-cancelable term of more than one year are shown below *(In Thousands)*:

| Year | |
|---|---|
| 1996 | $ 278,529 |
| 1997 | 290,201 |
| 1998 | 281,830 |
| 1999 | 274,145 |
| 2000 | 264,728 |
| Later | 2,628,922 |
| Total minimum lease payments | $4,018,355 |

The above minimum lease payments include minimum rental commitments related to capital leases amounting to $15,799,000 at August 31, 1995. The present value of net minimum capital lease payments, due after 1996, are reflected in the accompanying Consolidated Balance Sheets as part of other non-current liabilities. Total minimum lease payments have not been reduced by minimum sublease rentals of approximately $13,020,000 on leases due in the future under non-cancelable subleases.

Rental expense was as follows *(In Thousands)*:

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| Minimum rentals | $279,217 | $242,637 | $214,537 |
| Contingent rentals | 34,707 | 34,107 | 35,052 |
| Less: Sublease rental income | (2,845) | (2,707) | (3,246) |
| | $311,079 | $274,037 | $246,343 |

### Income Taxes

The provision for income taxes consists of the following *(In Thousands)*:

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| Current provision – | | | |
| Federal | $177,023 | $145,381 | $133,562 |
| State | 33,140 | 25,458 | 33,470 |
| | 210,163 | 170,839 | 167,032 |
| Deferred provision – | | | |
| Federal | (6,025) | 3,881 | (3,903) |
| State | (1,188) | 1,772 | (8,742) |
| | (7,213) | 5,653 | (12,645) |
| | $202,950 | $176,492 | $154,387 |

The components of the deferred provision were *(In Thousands)*:

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| Accelerated depreciation | $10,191 | $20,756 | $ 17,192 |
| Employee benefit plans | (9,154) | (6,956) | (6,518) |
| Insurance | (5,451) | (2,763) | (14,061) |
| Other | (2,799) | (5,384) | (9,258) |
| | $(7,213) | $ 5,653 | $(12,645) |

# Notes to Consolidated Financial Statements

*(Continued)*

The deferred tax assets and liabilities included in the Consolidated Balance Sheet as of August 31, 1995, consist of the following *(In Thousands)*:

| | Assets | Liabilities | Total |
|---|---|---|---|
| Current – | | | |
| Insurance | $ 13,641 | $ — | $ 13,641 |
| Employee benefit plans | 31,723 | (11,115) | 20,608 |
| Allowances for doubtful accounts | 9,987 | — | 9,987 |
| Inventory | 11,060 | (28,131) | (17,071) |
| Other | 16,434 | (3,055) | 13,379 |
| | 82,845 | (42,301) | 40,544 |
| Non-current – | | | |
| Accelerated depreciation | — | (240,772) | (240,772) |
| Insurance | 27,695 | — | 27,695 |
| Employee benefit plans | 40,826 | — | 40,826 |
| Other | 30,184 | (211) | 29,973 |
| | 98,705 | (240,983) | (142,278) |
| | $181,550 | $(283,284) | $(101,734) |

Income taxes paid were $209,258,000, $170,146,000 and $166,848,000 during the fiscal years ended August 31, 1995, 1994 and 1993, respectively. The difference between the statutory income tax rate and the effective tax rate is principally due to state income tax provisions.

## Short-Term Borrowings

At August 31, 1995, the company had approximately $123,000,000 of available bank lines of credit. The credit lines are renewable annually at various dates and provide for loans of varying maturities at the prime rate. There are no compensating balance arrangements.

The company obtained funds through the placement of commercial paper, as follows *(Dollars in Thousands)*:

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| Average outstanding during the year | $ 5,996 | $ 2,011 | — |
| Largest month-end balance | 35,000 | 12,977 | — |
| | (Nov) | (Nov) | — |
| Weighted average interest rate | 5.5% | 3.3% | — |

## Contingencies

The company is involved in various legal proceedings incidental to the normal course of business. This includes a patent infringement suit against the company and its co-defendant supplier. On October 20, 1994, a judgment of $11.3 million plus interest was entered on this suit. The plaintiff subsequently filed a motion for treble damages, which was denied. That denial has been appealed. The case has also been appealed by the defendants, and the company has an indemnification agreement from its supplier for the amount of the judgment plus interest. Management is of the opinion, with which its General Counsel concurs, that the patent infringement suit and other legal proceedings will not have a material adverse effect on the company's consolidated financial position or results of operations.

## Capital Stock

All share data have been adjusted to reflect a two-for-one stock split distributed to shareholders August 8, 1995. In addition the Board of Directors approved increases in the authorized common stock, from 400 million shares to 800 million shares, and in the authorized preferred stock, from 4 million shares to 8 million shares.

The company's common stock is subject to a Rights Agreement under which each share has attached to it a Right to purchase one-four hundredth of a share of a new series of Preferred Stock, at a price of $30.00 per Right, in the event a person or group acquires or attempts to acquire 20% of the then outstanding shares of the company. In the event that a person or group acquires 20% or more of the outstanding common stock of the company (other than in certain instances as defined in the Rights Agreement), each Right, except those of an Acquiring Person, would entitle the holder to purchase a number of shares of the company's common stock which number is determined pursuant to a formula contained in the Rights Agreement. The Rights, which are non-voting, will expire on August 21, 1996, but may be redeemed by the company at a price of $.0125 per Right at any time prior to a public announcement that 20% or more of the company's common stock has been acquired.

As of August 31, 1995, 27,168,328 shares of common stock were reserved for future stock issuances under the company's employee stock purchase, option and award plans. Preferred stock of 2,462,120 shares have been reserved for issuance upon the exercise of Preferred Share Purchase Rights.

## Stock Option Plans

The Walgreen Co. Executive Stock Option Plan provides for the granting to key employees of options to purchase company common stock over a 10-year period, at a price not less than the fair market value on the date of grant. Options may be issued under the Plan until October 13, 2002, for an aggregate of 9,600,000 shares of common stock of the company. The number of shares available for future grant was 1,913,090 and 3,952,750 at August 31, 1995 and 1994, respectively. Options granted prior to July 13, 1988, must be exercised in sequential order. After this date, options may be exercised in any order provided they are not restricted by any holding period.

The Walgreen Co. Stock Purchase/Option Plan (Share Walgreens) provides for the granting of options to eligible employees upon the purchase of company shares subject to certain restrictions. Under the terms of the plan, the option price cannot be less than 85% of the fair market value at the date of the grant. Compensation expense related to the plan was $314,000 and $986,000 in 1995 and 1994, respectively. Options may be issued under this plan until September 30, 2002, for an aggregate of 10,000,000 shares of common stock of the company. The number of shares available for future grant was 7,723,712 and 7,756,126 at August 31, 1995 and 1994, respectively. The options granted during 1995 and 1994 have a two-year holding period.

# Notes to Consolidated Financial Statements
*(Continued)*

Stock option transactions in fiscal 1993, 1994 and 1995 are summarized as follows:

| | *Shares* | *Per Share Option Price* | *Exercisable* |
|---|---|---|---|
| Outstanding | | | |
| August 31, 1992 | 2,965,552 | $ 2.703 – $19.000 | 2,165,806 |
| Granted | 2,816,696 | 19.188 – 20.188 | |
| Exercised | (231,976) | 2.703 – 13.844 | |
| Cancelled | (50,028) | 4.875 – 19.250 | |
| Outstanding | | | |
| August 31, 1993 | 5,500,244 | $ 4.203 – $20.188 | 1,930,772 |
| Granted | 449,520 | 18.688 – 20.875 | |
| Exercised | (223,696) | 4.203 – 19.250 | |
| Cancelled and expired | (70,538) | 7.219 – 19.750 | |
| Outstanding | | | |
| August 31, 1994 | 5,655,530 | $ 6.172 – $20.875 | 2,018,828 |
| Granted | 2,114,590 | 18.813 – 23.750 | |
| Exercised | (231,794) | 6.172 – 19.250 | |
| Cancelled and expired | (60,516) | 11.406 – 19.750 | |
| Outstanding | | | |
| August 31, 1995 | 7,477,810 | $ 6.563 – $23.750 | 4,686,171 |

## Postretirement Benefits

The components of postretirement benefit cost for fiscal 1995, 1994 and 1993 were as follows *(In Thousands)*:

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| Service costs – benefits earned during the year | $3,781 | $2,859 | $2,413 |
| Interest cost on accumulated postretirement benefit obligation | 5,576 | 4,638 | 4,048 |
| Amortization of unrecognized actuarial amount | 229 | 271 | — |
| Total postretirement benefit cost | $9,586 | $7,768 | $6,461 |

The company's unfunded accumulated postretirement benefit liability at August 31, included in the Consolidated Balance Sheets were as follows *(In Thousands)*:

| | 1995 | 1994 |
|---|---|---|
| Retirees | $20,210 | $18,228 |
| Fully eligible active plan participants | 9,834 | 11,244 |
| Other active plan participants | 45,747 | 41,390 |
| Accumulated postretirement benefit obligation | 75,791 | 70,862 |
| Unrecognized actuarial amount | (1,820) | (4,469) |
| Accrued postretirement benefit liability | $73,971 | $66,393 |

The accumulated postretirement benefit obligation was determined assuming the discount rate was 7.75% and the healthcare cost trend rate was 7.0% for 1995; with a gradual decline over a 14-year period to 4.5%. These trend rates reflect the company's prior experience and management's expectation that future rates will decline. The effect of a 1% increase each year in the projected healthcare cost trend rate would increase the accumulated postretirement benefit obligation at August 31, 1995 by $13,731,000 and the service and interest cost components of the fiscal 1995 net periodic postretirement benefit cost by $1,991,000. The unrecognized actuarial amount is being amortized over the average remaining service period of active plan participants.

## Supplementary Financial Information

Included in the Consolidated Balance Sheets captions are the following assets and liabilities *(In Thousands)*:

| | 1995 | 1994 |
|---|---|---|
| Other non-current assets – | | |
| Cash surrender value of life insurance | $166,719 | $122,172 |
| Other | 24,009 | 28,279 |
| | $190,728 | $150,451 |
| Accrued expenses and other liabilities – | | |
| Accrued salaries | $139,438 | $122,213 |
| Taxes other than income taxes | 63,169 | 59,071 |
| Profit sharing | 60,094 | 49,904 |
| Other | 185,518 | 159,495 |
| | $448,219 | $390,683 |
| Other non-current liabilities – | | |
| Insurance | $ 73,733 | $ 63,628 |
| Postretirement benefit obligation | 71,370 | 63,603 |
| Accrued rent | 50,482 | 41,187 |
| Deferred compensation | 23,667 | 24,223 |
| Deferred income | 10,401 | 12,020 |
| Obligations under capital leases | 7,933 | 9,135 |
| Long-term debt, net of current maturities | 2,395 | 1,790 |
| | $239,981 | $215,586 |

Long-term debt includes notes and other real estate obligations with interest rates at 6.25% and prime. Annual maturities due on long-term debt are $671,000, $394,000, $422,000, $445,000 and $44,000 for fiscal 1996 through 2000, respectively.

# Report of Independent Public Accountants

**To the Board of Directors and Shareholders of Walgreen Co.:**

We have audited the accompanying consolidated balance sheets of Walgreen Co. (an Illinois corporation) and Subsidiaries as of August 31, 1995 and 1994, and the related consolidated statements of earnings, retained earnings and cash flows for each of the three years in the period ended August 31, 1995. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Walgreen Co. and Subsidiaries as of August 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 1995 in conformity with generally accepted accounting principles.

As indicated in the Statement of Major Accounting Policies, under "Accounting Changes," effective September 1, 1992, the company changed its method of accounting for postretirement benefits other than pensions and income taxes.

Arthur Andersen LLP

*Chicago, Illinois,*
*September 29, 1995*

# Management's Report

The primary responsibility for the integrity and objectivity of the consolidated financial statements and related financial data rests with the management of Walgreen Co. The financial statements were prepared in conformity with generally accepted accounting principles appropriate in the circumstances and included amounts that were based on management's most prudent judgments and estimates relating to matters not concluded by fiscal year-end. Management believes that all material uncertainties have been either appropriately accounted for or disclosed. All other financial information included in this annual report is consistent with the financial statements.

The firm of Arthur Andersen LLP, independent public accountants, was engaged to render a professional opinion on Walgreen Co.'s consolidated financial statements. Their report contains an opinion based on their audit, which was made in accordance with generally accepted auditing standards and procedures, which they believed were sufficient to provide reasonable assurance that the consolidated financial statements, considered in their entirety, are not misleading and do not contain material errors.

Three outside members of the Board of Directors comprise the company's Audit Committee, which meets at least quarterly and is responsible for reviewing and monitoring the company's financial and accounting practices. In order to insure and maintain complete independence, Arthur Andersen LLP and the company's General Auditor have access to meet alone with the Audit Committee, which also meets with the company's management to discuss financial matters, auditing and internal accounting controls.

The company's systems are designed to provide an effective system of internal accounting controls to obtain reasonable assurance at reasonable cost that assets are safeguarded from material loss or unauthorized use and transactions are executed in accordance with management's authorization and properly recorded. To this end, management maintains an internal control environment which is shaped by established operating policies and procedures, an appropriate division of responsibility at all organizational levels, and a corporate ethics policy which is monitored annually. The company also has an Internal Control Evaluation Committee, comprised primarily of senior management from the Accounting and Auditing Departments, which oversees the evaluation of internal controls on a company-wide basis. Management believes it has appropriately responded to the internal auditors' and independent public accountants' recommendations concerning the company's internal control system.

C. R. Walgreen III      R. H. Clausen

*C. R. Walgreen III*
*Chairman of the Board*
*and Chief Executive Officer*

*R. H. Clausen*
*Controller*
*and Chief Accounting Officer*

R. L. Polark

*R. L. Polark*
*Senior Vice President*
*and Chief Financial Officer*

# The Walgreen Year...A Review by Quarters *(Unaudited)*

*Summary of Quarterly Results, Fiscal 1995 and 1994*
*(Dollars in Thousands, except per share data)*

| | | Quarter Ended | | | | |
|---|---|---|---|---|---|---|
| | | November | February | May | August | Fiscal Year |
| **Fiscal 1995** | Net sales | $2,405,556 | $2,806,984 | $2,617,368 | $2,565,188 | $10,395,096 |
| | Gross profit | 664,792 | 797,861 | 729,122 | 720,977 | 2,912,752 |
| | Net earnings | 53,994 | 111,557 | 78,990 | 76,250 | 320,791 |
| | Net earnings per common share | $ .22 | $ .45 | $ .32 | $ .31 | $ 1.30 |
| **Fiscal 1994** | Net sales | $2,117,954 | $2,498,537 | $2,335,961 | $2,282,526 | $ 9,234,978 |
| | Gross profit | 589,802 | 712,958 | 656,037 | 661,736 | 2,620,533 |
| | Net earnings | 44,213 | 97,615 | 71,018 | 69,083 | 281,929 |
| | Net earnings per common share | $ .18 | $ .39 | $ .29 | $ .28 | $ 1.14 |

### Comments on Quarterly Results

In further explanation of and supplemental to the quarterly results, the 1995 fourth quarter LIFO adjustment was a credit of $3,350,000 compared to a 1994 credit of $14,335,000. If the 1995 interim results were adjusted to reflect the actual inventory inflation rates and inventory levels at August 31, 1995, earnings per share would have been higher in each of the first two quarters by $.01, and lower in the fourth quarter by $.02. Similar adjustments in 1994 would have increased earnings per share in each of the first two quarters by $.02 and decreased the fourth quarter by $.04.

# Board of Directors

## Directors

**Charles R. Walgreen III**
Chairman of the Board and
Chief Executive Officer
Elected 1963

**Theodore Dimitriou**
Chairman of the Board,
Wallace Computer Services, Inc.
Elected 1986

**James J. Howard**
Chairman of the Board,
Chief Executive Officer and
President,
Northern States Power Company
Elected 1986

**Charles D. Hunter**
Former Vice Chairman and
Chief Financial Officer
Elected 1974

**L. Daniel Jorndt**
President and Chief
Operating Officer
Elected 1990

**Cordell Reed**
Senior Vice President,
Commonwealth Edison Co.
Elected 1994

**John B. Schwemm**
Former Chairman and
Chief Executive Officer,
R.R. Donnelley & Sons Co.
Elected 1985

**William H. Springer**
Former Vice Chairman,
Ameritech Corporation
Elected 1988

**Marilou M. von Ferstel**
Executive Vice President and
General Manager,
Ogilvy Adams & Rinehart
Elected 1987

## Committees

**Executive Committee**
Charles R. Walgreen III,
Chairman
Theodore Dimitriou
Charles D. Hunter
L. Daniel Jorndt
John B. Schwemm

**Audit Committee**
Theodore Dimitriou,
Chairman
John B. Schwemm
Marilou M. von Ferstel

**Compensation Committee**
William H. Springer,
Chairman
James J. Howard
John B. Schwemm

**Finance Committee**
Charles D. Hunter,
Chairman
L. Daniel Jorndt
Cordell Reed
Charles R. Walgreen III

**Nominating Committee**
John B. Schwemm,
Chairman
James J. Howard
Marilou M. von Ferstel

# Officers

## Corporate

**Chairman**
Charles R. Walgreen III
Chief Executive Officer

**President**
L. Daniel Jorndt
Chief Operating Officer

**Executive Vice Presidents**
Vernon A. Brunner
Marketing
Glenn S. Kraiss
Store Operations

**Senior Vice Presidents**
John R. Brown
Distribution
Roger L. Polark
Chief Financial Officer
John A. Rubino
Human Resources
William A. Shiel
Facilities Development

**Vice Presidents**
Robert C. Atlas
Store Operations
David W. Bernauer
Chief Information Officer
W. Lynn Earnest
Treasurer
Robert H. Halaska
President,
Healthcare Plus
Jerome B. Karlin
Store Operations
Julian A. Oettinger
General Counsel,
Corporate Secretary

**Controller**
Roger H. Clausen

**Assistant Controller**
John F. Richter

**General Auditor**
Chester G. Young

**Assistant Secretaries**
Nancy J. Godfrey
Dana I. Green
Edward H. King
Joel H. Levin
Allan M. Resnick

**Assistant Treasurers**
Richard C. Hildebrandt
John M. Palizza

## Regional Vice Presidents Drug Store Division

Enrique F. Anglade
George C. Eilers
Patrick E. Hanifen
Barry L. Markl
Robert G. McKillop
Richard J. McMillin
Richard L. Moyer
Richard Robinson
Bill J. Vernon
Kevin P. Walgreen
Edward E. Williams
Bruce C. Zarkowsky

## Divisional Vice Presidents

Roger H. Clausen
Corporate Accounting
John W. Gleeson
Marketing Systems
and Services
Don R. Holman
Purchasing/Merchandising
Joel H. Levin
Tax
J. Randolph Lewis
Logistics and Planning
Mark R. Paul
Purchasing/Merchandising
Craig M. Sinclair
Corporate Advertising
William G. Thien
Health Services
Chester G. Young
General Audit
and Loss Prevention

## Drugstore Unit and Sales Overview

| | Fiscal Year | 1995 | 1994 | 1993 | 1992 | 1991 |
|---|---|---|---|---|---|---|
| **Drugstore Units** | Openings | | | | | |
| | New Stores | 202 | 194 | 149 | 124 | 92 |
| | Acquisitions | 4 | 2 | 0 | 4 | 14 |
| | Remodelings | 84 | 70 | 138 | 118 | 133 |
| | Closings | 89 | 64 | 49 | 38 | 24 |
| | Year End: Units *(1)* | 2,085 | 1,968 | 1,836 | 1,736 | 1,646 |
| | Year End: Sales Area *(2)* | 20,731 | 19,342 | 17,950 | 16,811 | 15,877 |
| **Product Class Sales** | Prescription Drugs | 43% | 41% | 38% | 37% | 35% |
| | Nonprescription Drugs *(3)* | 13 | 13 | 14 | 14 | 14 |
| | Cosmetics, Toiletries *(3)* | 8 | 9 | 9 | 9 | 9 |
| | General Merchandise *(3)* | 24 | 24 | 25 | 25 | 25 |
| | Tobacco Products *(3)* | 4 | 4 | 4 | 4 | 5 |
| | Liquor, Beverages | 8 | 9 | 10 | 11 | 12 |

*(1) Includes 22 RxPress units and two mail service facilities.*
*(2) In thousands of square feet.*
*(3) Estimates based, in part, on periodic sampling of approximately 1% retail units.*

## Shareholder Information

### Corporate Headquarters
Walgreen Co.
200 Wilmot Road
Deerfield, Illinois 60015
(708) 940-2500
(847) 940-2500 *(after January 20, 1996)*

### Shareholder Communications
Please address any inquiries or comments to:
Shareholder Relations
Walgreen Co. – Mail Stop #2261
200 Wilmot Road
Deerfield, Illinois 60015
(708) 940-2972
(847) 940-2972 *(after January 20, 1996)*

The company's annual report to the Securities and Exchange Commission, Form 10-K, may be obtained by any shareholder, free of charge, upon written request.

### Quarterly Reports
Walgreens mails quarterly reports on request. Please contact Shareholder Relations if you wish to be added to – or deleted from – the quarterly mailing list, or if you are receiving unwanted multiple copies of annual or quarterly reports.

### Internet Address
Major press releases and other information are available on Walgreens Internet home page: *http://www.walgreens.com*

### Transfer Agent and Registrar
Harris Trust and Savings Bank
Shareholder Services
311 West Monroe Street, 11th Floor
Chicago, Illinois 60690

### Annual Shareholders' Meeting
You are cordially invited to attend the meeting to be held Wednesday, January 10, 1996, 2 p.m. in the Arthur Rubloff Auditorium, The Art Institute of Chicago, Chicago, Illinois.

Formal notice of the meeting, with proxy card and proxy statement, was mailed to all shareholders of record as of November 13, 1995.

### Stock Market Listings
New York Stock Exchange
Chicago Stock Exchange
Symbol: WAG

### Investor Contacts
W. Lynn Earnest
John M. Palizza

### Dividend Payment Dates
Walgreens pays dividends in March, June, September and December. Checks are customarily mailed on approximately the 12th of each of these months.

### Dividend Reinvestment Plan
Automatic Dividend Reinvestment allows Walgreen shareholders to authorize that dividend payments be used to purchase additional Walgreen stock. Purchase expenses are company-paid. Withdrawal is optional at any time. The plan's cash investment option allows voluntary contributions of up to $5,000 per quarter. For an information booklet and authorization form, please write to: Shareholder Relations, Walgreen Co.

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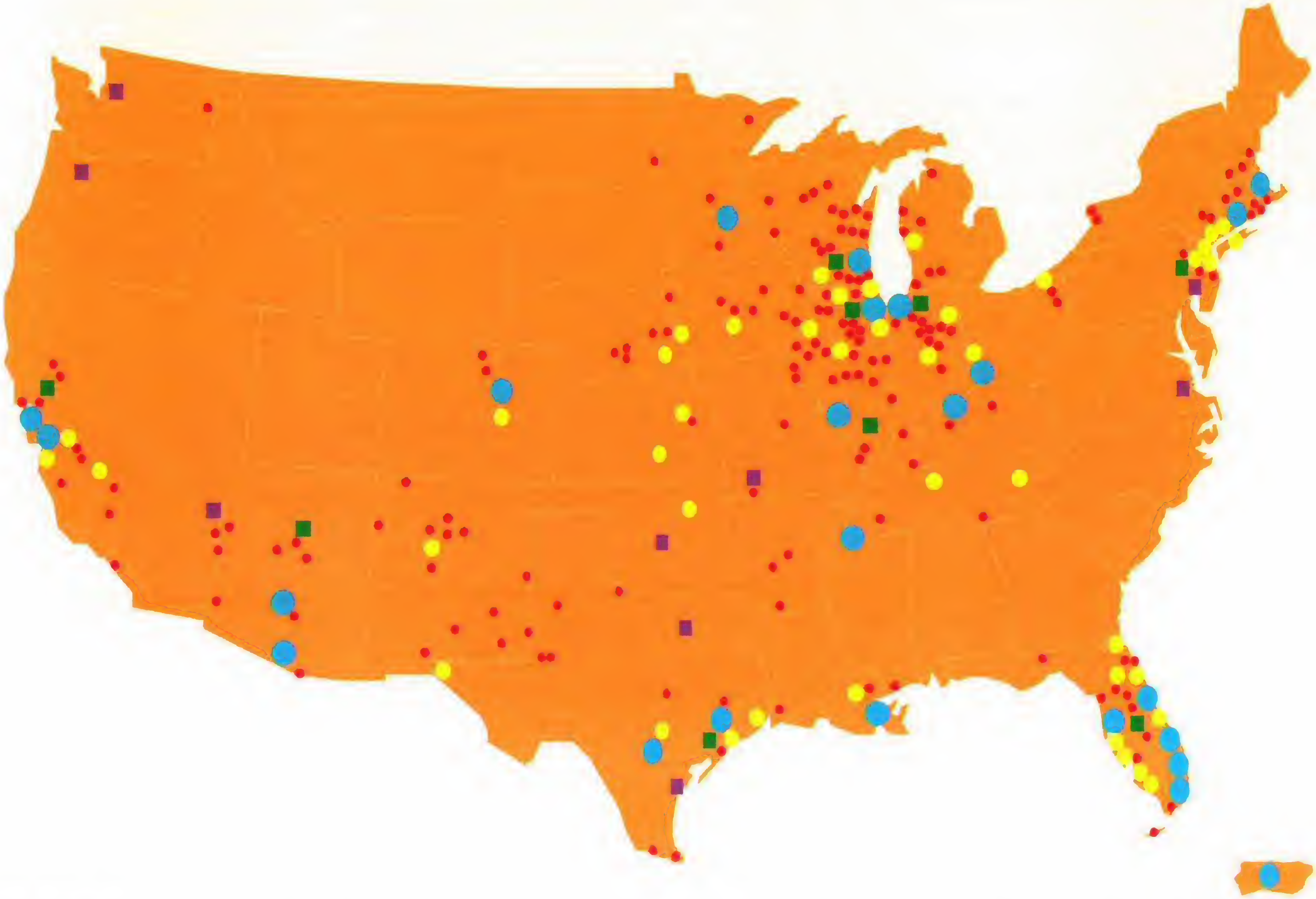
Design: Cagney + McDowell, Inc., Chicago    Photography: Michael Mauney, Chicago



# WALGREENS NATIONWIDE

| State | 1995 | 1994 |
|---|---|---|
| Arizona | 120 | 110 |
| Arkansas | 9 | 4 |
| California | 131 | 117 |
| Colorado | 50 | 47 |
| Connecticut | 31 | 30 |
| Florida | 344 | 326 |
| Illinois | 316 | 313 |
| Indiana | 102 | 94 |
| Iowa | 30 | 30 |
| Kansas | 15 | 14 |
| Kentucky | 35 | 36 |

| State | 1995 | 1994 |
|---|---|---|
| Louisiana | 46 | 45 |
| Massachusetts | 67 | 67 |
| Michigan | 26 | 24 |
| Minnesota | 60 | 59 |
| Mississippi | 5 | 3 |
| Missouri | 68 | 65 |
| Nebraska | 30 | 28 |
| New Hampshire | 8 | 9 |
| New Jersey | 31 | 30 |
| New Mexico | 36 | 35 |
| New York | 26 | 21 |

| State | 1995 | 1994 |
|---|---|---|
| North Dakota | 1 | 1 |
| Ohio | 52 | 39 |
| Oklahoma | 10 | 9 |
| Pennsylvania | 1 | 0 |
| Rhode Island | 5 | 4 |
| Tennessee | 76 | 69 |
| Texas | 199 | 189 |
| Washington | 5 | 5 |
| Wisconsin | 110 | 108 |
| Puerto Rico | 40 | 37 |
| **Total** | **2,085** | **1,968** |

- 25 stores or more
- 6 to 24 stores
- 1 to 5 stores
- Distribution Centers
- Markets opening in fiscal 1996 and 1997

*Information is provided as of fiscal year-end.*

# THANKS FOR TAKING THE TIME AND REMEMBER...

# *"YOU'RE ALWAYS WELCOME AT WALGREENS."*

Walgreens

The Pharmacy America Trusts

Walgreen Co.
200 Wilmot Road
Deerfield, Illinois 60015